

Appeal No. 2019-1261

**IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

CG TECHNOLOGY DEVELOPMENT, LLC ,

Appellant,

v.

FANDUEL, INC., DRAFTKINGS, INC., BWIN.PARTY
DIGITAL ENTERTAINMENT PLC,

Appellees.

**Appeals from the United States Patent and Trademark Office,
Patent Trial and Appeal Board in No. IPR2017-00902.**

APPELLANT'S PETITION FOR REHEARING EN BANC

Robert F. Shaffer
Joshua L. Goldberg
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, LLP
901 New York Avenue, NW
Washington, DC 20001-4413
(202) 408-4000

J. Derek McCorquindale
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, LLP
11955 Freedom Drive, Suite 800
Reston, VA 20190-5675

Attorneys for Appellant

February 18, 2020

CERTIFICATE OF INTEREST

Counsel for Appellant CG Technology Development, LLC certifies the following (use “None” if applicable; use extra sheets if necessary):

1. The full name of every party represented by me is:

CG Technology Development, LLC

2. Name of the real party in interest (please only include any real party in interest NOT identified in Question 3) represented by me is:

None

3. Parent corporations and publicly held companies that own 10% or more of the stock of the party:

CG Technology, L.P.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this Court (and who have not or will not enter an appearance in this case) are:

FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER, LLP
James R. Barney, Scott A. Allen (formerly with Finnegan, Henderson,
Farabow, Garrett & Dunner, LLP)

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this Court’s decision in the pending appeal. *See* Fed. Cir. R. 47.4(a)(5), 14.5(b).

CG Tech. Dev., LLC v. FanDuel, Inc., No. 1:17-cv-01041-RGA-CJB
(D. Del.)

CG Tech. Dev., LLC v. DraftKings, Inc., No. 1:17-cv-01040-RGA-CJB
(D. Del.)

CG Tech. Dev., LLC v. Zynga, Inc., No. 3:17-cv-04354-RS
(N.D. Cal.)

CG Tech. Dev., LLC v. Big Fish Games, Inc., No. 2:17-cv-01148-RAJ
(W.D. Wash.)

CG Tech. Dev., LLC v. Bwin.Party Digital Entm't, PLC, No. 2:16-cv-
00871-RCJ-GWF (D. Nev.)

CG Tech. Dev., LLC v. 888 Holdings, PLC, No. 2:16-cv-00856-RCJGWF
(D. Nev.)

TABLE OF CONTENTS

STATEMENT OF COUNSEL	1
PRELIMINARY STATEMENT	2
STATEMENT OF RELEVANT FACTS	5
ARGUMENT IN SUPPORT OF REHEARING EN BANC	8
I. The Panel Engaged in Impermissible Factfinding	8
II. The Panel Misapplied the Harmless Error Doctrine	11
III. After <i>SAS</i> and <i>Arthrex</i> , the Director’s Delegation of Institution Authority Violated 35 U.S.C. § 314 and Due Process of Law.....	14
CONCLUSION	17
ADDENDUM	
CERTIFICATE OF COMPLIANCE	

TABLE OF AUTHORITIES

	Page(s)
Federal Cases	
<i>Amadeo v. Zant</i> , 486 U.S. 214 (1988).....	1, 8
<i>Apple Inc. v. Samsung Electronics Co.</i> , 839 F.3d 1034 (Fed. Cir. 2016) (en banc)	1, 2, 8
<i>Ariosa Diagnostics v. Verinata Health, Inc.</i> , 805 F.3d 1359 (Fed. Cir. 2015)	<i>passim</i>
<i>Arthrex, Inc. v. Smith & Nephew, Inc.</i> , 941 F.3d 1320 (Fed. Cir. 2019)	<i>passim</i>
<i>Atlantic Thermoplastics Co. v. Faytex Corp.</i> , 5 F.3d 1477 (Fed. Cir. 1993)	1, 3, 10
<i>Burlington Truck Lines, Inc. v. United States</i> , 371 U.S. 156 (1962).....	3
<i>In re Chapman</i> , 595 F.3d 1330 (Fed. Cir. 2010)	<i>passim</i>
<i>Ethicon Endo-Surgery, Inc. v. Covidien LP</i> , 812 F.3d 1023 (Fed. Cir. 2016)	<i>passim</i>
<i>Ethicon Endo-Surgery, Inc. v. Covidien LP</i> , 826 F.3d 1366 (Fed. Cir. 2016)	16
<i>Kotteakos v. United States</i> , 328 U.S. 750 (1946).....	13
<i>In re Lee</i> , 277 F.3d 1338 (Fed. Cir. 2002)	11
<i>In re Magnum Oil Tools Int’l, Ltd.</i> , 829 F.3d 1364 (Fed. Cir. 2016)	1, 3
<i>Polaris Indus. v. Arctic Cat, Inc.</i> , 724 F. App’x 948 (Fed. Cir. 2018)	15

<i>SAS Institute Inc. v. Iancu</i> , 138 S. Ct. 1348 (2018).....	<i>passim</i>
<i>SEC v. Chenery Corp.</i> , 332 U.S. 194 (1947).....	1, 11
<i>Synopsys, Inc. v. Mentor Graphics Corp.</i> , 814 F.3d 1309 (Fed. Cir. 2016)	17
<i>In re Watts</i> , 354 F.3d 1362 (Fed. Cir. 2004)	<i>passim</i>
Federal Statutes	
35 U.S.C. § 6(b)(4).....	16
35 U.S.C. § 314.....	<i>passim</i>
Regulations	
37 C.F.R. § 42.4(a).....	14, 15
Constitutional Provisions	
U.S. Const., art. II, § 2, cl. 2 (Appointments Clause).....	14

STATEMENT OF COUNSEL

Based on my professional judgment, I believe the panel decision is contrary to the following decisions of the Supreme Court and precedents of this Court: *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018); *Amadeo v. Zant*, 486 U.S. 214 (1988); *SEC v. Chenery Corp.*, 332 U.S. 194 (1947); *Apple Inc. v. Samsung Electronics Co.*, 839 F.3d 1034 (Fed. Cir. 2016) (en banc); *In re Magnum Oil Tools Int'l, Ltd.*, 829 F.3d 1364 (Fed. Cir. 2016); *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023 (Fed. Cir. 2016); *Ariosa Diagnostics v. Verinata Health, Inc.*, 805 F.3d 1359 (Fed. Cir. 2015); *In re Chapman*, 595 F.3d 1330 (Fed. Cir. 2010); *In re Watts*, 354 F.3d 1362 (Fed. Cir. 2004); *Atl. Thermoplastics Co. v. Faytex Corp.*, 5 F.3d 1477 (Fed. Cir. 1993).

/s/ Robert F. Shaffer
Robert F. Shaffer
Counsel for Appellant

PRELIMINARY STATEMENT

In *Apple Inc. v. Samsung Electronics Co.*, the Federal Circuit reaffirmed that the appellate function “requir[es] appropriate deference be applied to the review of fact findings,” and that an “appellate court is not permitted to reverse fact findings that were not appealed.” 839 F.3d at 1039, 1044. Those basic tenants were not followed in the panel’s opinion (“Op.”). The panel held—correctly—that the Board relied on the wrong claim construction. Op. 5. But instead of remanding, the panel impermissibly engaged in appellate factfinding to read the primary obviousness reference, U.S. Patent No. 5,816,918 to Kelly et al. (“Kelly,” Appx3424-3471), in such a way as to affirm unpatentability under a new claim construction that the Board had never applied. *See* Op. 5-6.

The Board had erroneously construed “authorizing” to mean *either prohibiting or adjusting*, supplying its basis for finding that Kelly satisfied the “authorizing” claim limitations. *See* Appx34. However, after the panel reversed the Board’s interpretation—holding instead that “the ‘authorize play based on age’ limitations *do not* include adjustment”—the panel then salvaged the obviousness outcome by itself determining that Kelly teaches prohibiting game play and not “adjusting” also as the Board had. *Compare* Op. 5-6 (emphasis added) *with* Appx34. The panel’s position that the Board was able to parse-out the incorrect “adjusts” feature from its factual findings on Kelly, and apply only the “prohibits” feature from the

correct construction—one that it did not yet know—is unsupported by substantial evidence. Indeed, only when faced with the Board’s glaring claim construction errors on appeal did Appellees even propose this alternative, as the panel recognized. *See* Op. 5. But “appellate counsel’s *post hoc* rationalizations” justifying the Board’s misreading of Kelly under the wrong construction are not acceptable, *Burlington Truck Lines, Inc. v. United States*, 371 U.S. 156, 168-69 (1962), and the argument has no basis in the petition as required, *Magnum Oil Tools*, 829 F.3d at 1381 (“must base its decision on arguments that were advanced by a party, and to which the opposing party was given a chance to respond”).

After reversing claim construction, it was the panel that determined, as a factual matter, that Kelly could still be read to prohibit game play based on age, by cobbling together disparate specification teachings. *See* Op. 6. The panel’s resolution of gaps created in the underlying obviousness analysis contravenes precedent, and typically requires remand instead so that the Board can make factual findings in the first instance. *E.g.*, *Ariosa*, 805 F.3d at 1365 (“[W]e must not ourselves make factual and discretionary determinations that are for the agency to make.”); *Chapman*, 595 F.3d at 1338-39 (“On remand, the Board need only revisit its conclusion of obviousness in light of a correct understanding of *Gonzales*.”); *see also Atl. Thermoplastics*, 5 F.3d at 1479 (“This court . . . may not

guess at findings left unmade. Fact-finding by the appellate court is simply not permitted.”).

The panel’s appellate factfinding also negates proper application of the “harmless error” doctrine. The panel invoked *In re Watts*, Op. 6, but the Board’s claim construction mistake cannot be said “clearly [to have had] no bearing on the procedure used or the substance of the decision reached.” 354 F.3d at 1369-70. Rather, the Board construction involved a “fundamental dispute” over the scope of the claims, Appx19, and was a predicate finding necessary for Kelly to read on the “authorizing” limitations, *see* Appx34. The panel should not have deemed that CG Technology suffered no prejudice from such error. *Chapman*, 595 F.3d at 1339-40 (“Because we cannot say with confidence that the Board would have reached the same conclusion in the absence of these errors, we are persuaded they are indeed harmful.”). The Court should rehear this case en banc to clarify the limits of the “harmless error” doctrine in obviousness determinations, particularly where a binary claim construction is reversed and appellate factfinding undertaken.

What’s more, *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019) undermines the prior holding of this Court that the Director has authority to delegate institution to APJs under 35 U.S.C. § 314. Contrary to *Arthrex*’s determination, this Court’s rationale in *Ethicon* required that APJs act as subordinates, not independent principal officers beyond Director review. 812 F.2d

at 1028. This Court should also grant rehearing to resolve the implications of *Arthrex* on the delegation of institution authority to APJs acting as principal officers, including in light of due process concerns and intervening Supreme Court guidance in *SAS*.

STATEMENT OF RELEVANT FACTS

U.S. Patent No. RE39,818 (“the ’818 patent,” Appx99-106) is directed to customizable wireless controllers for video game systems. The ’818 patent teaches using personal information to prohibit certain users from operating a video game or to customize game play based on information about a user, including name, age, previous video game scores and statistics, and a current skill level. Claim 1 of the ’818 patent, for example, states that the system processor “authorizes game execution based on the user age.” Appx105, 5:55-56.

The Board instituted IPR on October 18, 2017, based on obviousness grounds in combinations with Kelly. While Kelly is mainly directed to the economics of prize redemption, Appx3444, 2:62-66, features in some embodiments allow adjustments in play as users are required to meet certain conditions before participating in a particular game format. Appx3454, 22:42-53 (requiring user to play multiple times before gaining access to bigger prizes: “For example, a player can be required to play a predetermined number of games (e.g., 5) on a game unit 10 before being allowed to participate in a tournament.”).

Notably, Kelly *does not* disclose a controller or system that *prohibits* a video game operation based on the user’s age, but instead groups players in different tournaments with players having similar characteristics. While a player may not qualify for specific tournament play based on a predefined characteristic, such as age, there is no teaching in Kelly that the system would altogether prohibit play of a specific video game based on the age of the player. *See* Appx4285-4286, ¶ 45.

In the IPR, Petitioners argued for—and the Board adopted—a broad construction of “authorizing” that included more than just “prohibiting” game play. The Board construed the “authorize play based on age” clauses of the challenged claims to mean: “a control that either [1] prohibits *or* [2] adjusts operation of a video game based on the user’s age.” Appx26-27 (emphasis added). The Board thereafter held all challenged claims unpatentable in view of Kelly in combination with other references. Appx3-4.

On appeal, the panel reversed the claim construction, holding that “the Board erred in construing the ‘authorize play based on age’ limitations. . . . ‘Authorize’ indicates *only* prohibiting (or not prohibiting) the player from playing the game, a concept distinct from ‘adjusting’ the game.” Op. 5 (emphasis added). Appellees, recognizing the construction error it led the Board into, for the first time on appeal “argue[d] the Board’s finding that Kelly discloses the ‘authorize play based on age’ limitations was based on the unchallenged part of the Board’s

construction because it found Kelly ‘prohibit[s] operation of a game’ based on age.” *Id.* The Board had applied the broad construction advocated by Appellees, however, and not some deliberately parsed-out version when reading Kelly. *See* Appx34-41. Notwithstanding that the Board applied the wrong construction, the panel nevertheless picked several disconnected disclosures it determined could be read together to undergird the obviousness holding:

Kelly discloses that in some embodiments of its system, “players can . . . be required to meet certain conditions before participating in a credit game or tournament.” J.A. 3454 at 22:42–44. Thus, as the Board recognized, players that do not meet the conditions may be prohibited from playing in the only two game modes described by Kelly—a credit game or tournament. *See* Board Opinion at *16. Kelly discloses that one such “predefined characteristic” is age. J.A. 3454 at 42:63–43:5. *Though the disclosures in Kelly are in separate portions of the specification, they nonetheless support the Board’s finding that a person of ordinary skill in the art would understand that Kelly discloses prohibiting credit game and tournament play based on age.*^[1]

Op. 6 (emphasis added).

¹ In this passage, there is a typographical error in the panel opinion’s Joint Appendix citation. The portions of Kelly relied on above are at Appx3454 and Appx3464-65, respectively, as suggested by the span of twenty columns in the correct pin citations.

ARGUMENT IN SUPPORT OF REHEARING EN BANC

I. The Panel Engaged in Impermissible Factfinding

The panel decision contravenes the en banc teaching in *Apple* that “the appellate function [i]s limited to deciding the issues raised on appeal by the parties, deciding these issues only on the basis of the record made below, and as requiring appropriate deference be applied to the review of fact findings.” 839 F.3d at 1039; *Amadeo*, 486 U.S. at 228 (criticizing “impermissible appellate factfinding”).

The panel stated that “[a]lthough the Board incorrectly construed the ‘authorize play based on age’ limitations, its findings regarding Kelly were limited to Kelly’s disclosure of ‘prohibiting’ game play based on age.” *See Op. 6*. The Board, however, never made an “alternative” finding, never carved-out “adjusting” from “prohibiting” when applying the “authorizing” claim limitations, and never stated that Kelly teaches prohibiting game play altogether. Rather, the Board noted that it was applying its definition of “authorize” as “prohibits *or* adjusts” to its entire obviousness analysis—and considering Kelly in its “totality”:

We determined in our Claim Construction above that the ordinary and customary meaning of the “authorize play based on age” clauses is a control that *either prohibits or adjusts operation of a video game based on the user’s age*.

When considered in its totality, Kelly discloses that age and other collected player data can be used as a prerequisite to authorizing game play. *This prerequisite either prohibits or adjusts operation of a video game*.

Appx34 (emphasis added). That understanding was applied throughout by the Board. *See* Appx34-41.

Thus, the panel determination that the Board applied *only* the “prohibits” aspect of “prohibits or adjusts” as a definition of “authorizing” is unsupported by substantial evidence. Kelly never mentions a *prohibiting* operation; it states merely that “[i]n some embodiments, players can also be *required to meet certain conditions before participating* in a credit game or a tournament,” and that “a player can be required to play a predetermined number of games . . . before being allowed to participate in a tournament.” Appx34-35 (quoting Appx3454 at 22:42-46) (emphasis added). In fact, the Board’s decision, read in context, expressly concludes that the “required conditions” passage in Kelly does *not* mention “age”:

This “required conditions disclosure” clearly discloses that meeting a predefined prerequisite is used in “some embodiments” to prohibit operation of a game for failure to meet the established prerequisite. This passage in Kelly does *not* mention age as one of the “certain conditions.”

Appx35.

This statement by the Board, therefore, could not have served as the basis for an obviousness finding for claim limitations involving “authoriz[ing] game play based on age” under *any* construction, let alone the correct one. And Kelly’s “tournament setup table” feature is likewise not used to prohibit game play based on age. Appx4285-4286 ¶ 45; Appx3464, 41:66-42:1. Users may be grouped into

tournaments based on similar characteristics, like “age, member[ship in] a group or club, ‘preferred customer’ status, [or] whether they have achieved a ‘tournament goal’ in a game, etc.” Appx3464-3465, 42:63-43:5. These groupings, however, merely adjust the way players interact with a specific game without ever prohibiting game play based on age. Appx4285-4286 ¶ 45. At bottom, Kelly does not disclose *prohibiting* game play based on the age of a player, and only discloses *adjusting* a game into age-based tournaments. *Id.*; *see also* CG Tech. Opening Br. 33-38.

To arrive at the opposite factual conclusion regarding Kelly, the panel joined passages from distinct sections and from different contexts. Op. 6 (“Though the disclosures in Kelly are in separate portions of the specification, they nonetheless support the Board’s finding . . .”). This was an impermissible factual gap to fill after reversing the Board’s construction. *Atl. Thermoplastics*, 5 F.3d at 1479 (“This court . . . may not guess at findings left unmade. Fact-finding by the appellate court is simply not permitted.”). Because Petitioners do not contend that the Board’s construction was proper, affirmance rests solely on this improper panel factfinding, i.e., that Kelly prohibits (and not also adjusts) “game execution based on the user age.” Op. 5-6.

In re Watts recognized the guiding principle that “in general, the Board’s decision must be affirmed, if at all, on the reasons stated therein . . .” 354 F.3d at

1370 (citing *Chenery*, 332 U.S. at 196 (“[A] reviewing court . . . must judge the propriety of such action solely by the grounds invoked by the agency. If those grounds are inadequate or improper, the court is powerless to affirm the administrative action.”)). In this case, upon modifying the claim construction, the panel should have remanded rather than offer “factual and discretionary findings that are for the agency to make.” *Ariosa*, 805 F.3d at 1365 (citing *In re Lee*, 277 F.3d 1338, 1342 (Fed. Cir. 2002)).

II. The Panel Misapplied the Harmless Error Doctrine

The panel erred not only by engaging in the impermissible factfinding, but also by invoking the “harmless error” doctrine: “Although the Board incorrectly construed the ‘authorize play based on age’ limitations, its findings regarding Kelly were limited to Kelly’s disclosure of ‘prohibiting’ game play based on age. Board Opinion at *15. The incorrect claim construction is therefore harmless error if substantial evidence supports its finding.” Op. 6 (citing *In re Watts*, 354 F.3d at 1369). As explained, *supra* pp. 8-10, there was not substantial evidence for this.

To be sure, this Court “may affirm if an erroneous portion of an agency’s ruling is ultimately non-prejudicial” *Ariosa*, 805 F.3d at 1365. But the decision *In re Watts*, relied on by the panel, teaches that harmless error requires that the mistake of the Board “clearly ha[ve had] no bearing on the procedure used or the substance of the decision reached.” 354 F.3d at 1369. Here, it is by no means

“clear” that the error of the Board applying its flawed construction had “no bearing” on the obviousness result—in fact, during the IPR, the Board recognized this represented a “fundamental dispute between the parties.” Appx19.

The incorrect claim construction infected the Board’s reading of the primary obviousness reference—it did not and could not have been immunized from its faulty interpretation when reading Kelly. Construing “authorizing” to mean *either prohibiting or adjusting* was the very basis for the Board finding that Kelly satisfied the “authorizing” claim limitations, so applying an improper construction was necessarily prejudicial to the obviousness findings. *See* Appx34-37. Almost by definition, the error here was not “harmless,” i.e. “no reason to believe a different result would have been obtained had the error not occurred.” *In re Watts*, 354 F.3d at 1369.

The panel should have followed *Chapman*, where this Court refused to apply the “harmless error” doctrine. The errors were deemed harmful “because they increase the likelihood that Chapman was erroneously denied a patent on grounds of obviousness” by dint of misreading prior art:

If the Board based its decision on a misunderstanding of Gonzalez, its conclusions regarding obviousness are called into question . . . Because we cannot say with confidence that the Board would have reached the same conclusion in the absence of these errors, we are persuaded they are indeed harmful.

Id. at 1339-40 (citing *Kotteakos v. United States*, 328 U.S. 750, 765 (1946) (“[I]f one cannot say, with fair assurance, . . . that the judgment was not substantially swayed by the error, it is impossible to conclude that substantial rights were not affected.”). So too here. The Board’s understanding of Kelly was shaped by the contours of its incorrect claim construction and “call[] into question” the conclusion of obviousness. *See id.*

In *Ariosa*, the Court similarly declined application of “harmless error” to an obviousness analysis, because it could not “confidently discern whether the Board, in its consideration of Exhibit 1010, was actually relying on a legally proper ground rather than the erroneous ground just noted.” 805 F.3d at 1366. Unlike the panel here, the Court in *Ariosa* did not attempt to parse-out what may have been correct among so much error. *Id.* (“we cannot do so for the Board where, as here, the matter is not purely legal”). The Court was “not prepared to find that the error we cannot rule out was non-prejudicial,” because “seemingly small differences might be significant.” *Id.* at 1366-67. Accordingly, the case was remanded in *Ariosa*, and that approach should have been followed here after the claim construction was reversed, because even “small differences” reading Kelly under the new interpretation significantly impact the unpatentability outcome. *Id.*

III. After *SAS* and *Arthrex*, the Director’s Delegation of Institution Authority Violated 35 U.S.C. § 314 and Due Process of Law

This Court recently addressed the constitutionality of the Board’s APJs in *Arthrex*, holding that

APJs are principal officers under Title 35 as currently constituted. As such, they must be appointed by the President and confirmed by the Senate; because they are not, the current structure of the Board violates the Appointments Clause.

941 F.3d at 1335. This holding implicates a previous decision in *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1031-33 (Fed. Cir. 2016). In *Ethicon*, this Court held that the Director could delegate institution decisions to “subordinate officers”—in this case APJs of the Board. *Id.* In § 314(a) and (b), Congress expressly assigned institution authority to the Director. The Director, however, has delegated institution authority to the Board. 37 C.F.R. § 42.4(a) (“The Board institutes the trial on behalf of the Director.”).

But *Arthrex* is clear that APJs were not acting as subordinates after all—rather, they were “principal officers.” 941 F.3d at 1325-35. Applying the conclusions of *Arthrex*, the Director has been delegating his institution authority to a body of APJs that he could not properly “review, vacate, or correct.” *Id.* at 1335. Indeed, the Director’s “control and supervision of the APJs is not sufficient to render them inferior officers.” *Id.*

The instituting APJs in this case, back in 2017, also did not do so as “subordinate officers,” as contemplated in *Ethicon*, 812 F.3d at 1031–33, but as independent principal officers that the Director did not supervise, *Arthrex*, 941 F.3d at 1335. *Arthrex* thus compromises the core of the *Ethicon* majority’s rationale—permitting Director delegation of institution based on APJ status as “subordinate officers.” With that premise now questioned, the tension between these decisions remains unresolved.² Because a proper institution decision was not timely issued in accordance with § 314 in this case, institution should be denied.³

Moreover, after *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018), it is, respectfully, again open to reasonable debate whether institution decisions should be made by anyone other than the Director. *SAS* emphasizes the primacy of the statute in defining separate institution and trial phases. *Id.* at 1354-56. These functions are plainly split across different actors: (1) the Director determines

² In *Arthrex*, this Court saw no “infirmity in the institution decision as the statute clearly bestows such authority on the Director pursuant to 35 U.S.C. § 314.” 941 F.3d at 1340. But the *Arthrex* court did not analyze the implications of its holding that APJs were “principal officers” on the Director’s delegation of his institution authority to the Board under 37 C.F.R. § 42.4(a).

³ As recognized after *SAS*, “a party does not waive an argument that arises from a significant change in law during the pendency of an appeal.” *Polaris Indus. v. Arctic Cat, Inc.*, 724 F. App’x 948, 949-50 (Fed. Cir. 2018).

whether to institute, § 314(a); and (2) the Board adjudicates patent validity by “conduct[ing] inter partes reviews,” § 6(b)(4).⁴

The dissenting justices in *SAS* noted—without commenting on correctness—the practice of institution delegation “by regulation.” 138 S. Ct. at 1361. But given Congress’s explicit division of functions, this structural preference should be respected after *SAS*. 138 S. Ct. at 1355 (“Just as Congress’ choice of words is presumed to be deliberate and deserving of judicial respect, so too are its structural choices.” (citation and internal quotations omitted)).

Furthermore, the Supreme Court has now, expressly in the institution context, rejected elevating administrative convenience above all else—a teaching also implicated in the practice of delegating institution:

Each side offers plausible reasons why its approach might make for the more efficient policy. But who should win that debate isn’t our call to make. Policy arguments are properly addressed to Congress, not this Court. It is Congress’s job to enact policy and it is this Court’s job to follow the policy Congress has prescribed.

⁴ Judge Newman noted in dissent that, “[t]he statute requires that these proceedings be separated, the first decision required to be made by the Director, and the second decision made by the Board.” 812 F.3d at 1035 (Newman, J., dissenting). Bifurcation between the Director and the Board was seen as critical to protecting due process guarantees of “a fair trial in a fair tribunal.” *Id.* at 1038 (citation omitted); *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 826 F.3d 1366, 1367-69 (Fed. Cir. 2016) (Newman, J., dissenting from denial of reh’g en banc) (noting that Congress expressly vesting the Director with the authority to institute review ensures that “constitutionally mandated patent rights were not abrogated without due process of law”).

Id. at 1357-58; accord *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1326 (Fed. Cir. 2016) (Newman, J., dissenting) (“The AIA assigns the [institution] role to the Director and the [trial] role to the PTAB. . . . Whatever the convenience to the PTO, there is no authority to violate the statute.”). Regarding APJ institutions, “[h]ere again we know that if Congress wanted to adopt the Director’s approach it knew exactly how to do so.” *SAS*, 138 S. Ct. at 1356. It did not. This Court in the wake of *Arthrex* and *SAS* should, respectfully, reconsider IPR institution procedures.

CONCLUSION

The Court should grant rehearing en banc.

Date: February 18, 2020

Respectfully submitted,

/s/ Robert Shaffer

Robert F. Shaffer

Joshua L. Goldberg

FINNEGAN, HENDERSON, FARABOW,

GARRETT & DUNNER, LLP

901 New York Avenue, NW

Washington, DC 20001-4413

(202) 408-4000

J. Derek McCorquindale

FINNEGAN, HENDERSON, FARABOW,

GARRETT & DUNNER, LLP

11955 Freedom Drive, Suite 800

Reston, VA 20190-5675

*Attorneys for Appellant CG Technology
Development, LLC*

Addendum

NOTE: This disposition is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

CG TECHNOLOGY DEVELOPMENT, LLC,
Appellant

v.

**FANDUEL, INC., DRAFTKINGS, INC., BWIN.PARTY
DIGITAL ENTERTAINMENT PLC,**
Appellees

2019-1261

Appeal from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in No. IPR2017-
00902.

Decided: December 17, 2019

ROBERT SHAFFER, Finnegan, Washington, DC, argued
for appellant. Also represented by SCOTT A. ALLEN, JOSHUA
GOLDBERG.

ERIC ALLAN BURESH, Erise IP, P.A., Overland Park,
KS, argued for appellees FanDuel, Inc., DraftKings, Inc.
Also represented by MEGAN JOANNA REDMOND. Appellee
DraftKings, Inc. also represented by JONATHAN
BERSCHADSKY, Merchant & Gould P.C., New York, NY;

ERIC CHAD, Minneapolis, MN.

EVAN M. ROTHSTEIN, Arnold & Porter Kaye Scholer LLP, Denver, CO, for appellee bwin.party Digital Entertainment PLC.

Before PROST, *Chief Judge*, CLEVINGER and MOORE,
Circuit Judges.

MOORE, *Circuit Judge*.

CG Technology Development, LLC (CG Tech) appeals the Patent Trial and Appeal Board’s Final Written Decision holding claims 1, 16, 20, 21, 24, 25, 31, and 32 of U.S. Patent RE39,818 would have been obvious. *FanDuel, Inc. v. CG Tech. Dev., LLC*, No. IPR2017-00902, 2018 WL 5269266, at *1 (P.T.A.B. Oct. 4, 2018) (Board Opinion). Because substantial evidence supports the Board’s finding that U.S. Patent No. 5,816,918 (Kelly) teaches the disputed limitations even under the proper construction of the “authorize play based on age” limitations, we affirm.

BACKGROUND

FanDuel, Inc., DraftKings, Inc., and bwin.party Digital Entertainment, PLC (collectively, Appellees) petitioned for *inter partes* review of the ’818 patent. The ’818 patent describes a video game system with personalized wireless controllers that allow for custom operation of an interactive video system based on a user’s personal data. *See* ’818 pat. at 1:49–64. Although the specific language in each claim varies, each of the challenged claims recites a limitation authorizing or allowing a user to play a specific game based on the age of the user.¹ For example, claim 1 reads:

¹ The parties do not dispute the Board’s characterization of the following terms as the “authorize play based

1. A video game system comprising:

a processor unit for executing game instructions and displaying video images on a display screen, the processor includes a receiver for receiving wireless identification and control signal transmissions; and

a personalized portable control comprising:

a plurality of control switches for generating game control signals;

a non-volatile memory for storing personalized identification information corresponding to a user of the controller, the personalized identification information comprises a user age, and historical game performance data; and

a transmitter for wireless transmitting of the personalized identification and game control signals to the processor unit, *wherein the processor unit authorizes game*

on age” limitations: “wherein the processor unit authorizes game execution based on the user age” (claim 1); “authorizing operation of a video game based upon the user age” (claim 16); “authorize game play based at least in part on an age of a player” (claim 20); “authorizing play of the interactive game based at least in part on the data and an age of the player” (claim 21); “authorize game play based on an age of a player” (claim 24); “wherein the CPU authorizes game participation if a player’s age is within a defined age group” (claim 25); “authorizing play of the game based at least in part on the data and an age of a game player” (claim 31); and “allowing play of the game based at least in part on the age of the game player” (claim 32).

execution based on the user age, further the processor unit comprises a transmitting for transmitting the historical game performance data to the portable controller.

(emphasis added).

Appellees petitioned for *inter partes* review on the basis that the challenged claims would have been obvious in view of the asserted combinations of references. Each combination relied in part on the disclosure in Kelly. A player can choose to play a non-tournament (i.e., prize credit) game or to participate in a tournament. *See* J.A. 3454 at 22:14–29, J.A. 3429 at Fig. 5. “[P]layers can also be required to meet certain conditions before participating in certain games or tournaments.” J.A. 3454 at 22:42–44. The operator may “designate further characteristics of tournaments, such as . . . participation based on predefined characteristics, age, [or others].” J.A. 3464–65 at 42:64–43:5.

The Board construed the “authorize play based on age” limitations to mean “a control that either prohibits or adjusts operation of a video game based on the user’s age” and found that Kelly discloses the “authorize play based on age” limitations. *See* Board Opinion at *11, 39. CG Tech appeals. We have jurisdiction under 28 U.S.C. § 1295(a)(4)(A).

DISCUSSION

We review the Board’s claim construction de novo. *Paice LLC v. Ford Motor Co.*, 881 F.3d 894, 902 (Fed. Cir. 2018). Obviousness is a question of law we review de novo, with underlying factual findings reviewed for substantial evidence. *In re NTP, Inc.*, 654 F.3d 1279, 1297 (Fed. Cir. 2011). What a reference teaches is a question of fact we review for substantial evidence. *Id.*

The Board construed the “authorize play based on age” limitations to mean “a control that either prohibits or adjusts operation of a video game based on the user’s age.”

Board Opinion at *11. CG Tech argues the Board erred in including “or adjusts” in its construction. Rather than challenge CG Tech’s position as to the propriety of the language “or adjusts” in the Board’s claim construction, Appellees instead argue that the inclusion of “or adjusts” had no impact on the Board’s analysis. Appellees argue the Board’s finding that Kelly discloses the “authorize play based on age” limitations was based on the unchallenged part of the Board’s construction because it found Kelly “prohibit[s] operation of a game” based on age. *See* Board Opinion at *15.

We agree with CG Tech that the Board erred in construing the “authorize play based on age” limitations. The Board’s construction fails to distinguish the two embodiments described in the claims and the specification: authorizing and adjusting. “Authorize” indicates only prohibiting (or not prohibiting) the player from playing the game, a concept distinct from “adjusting” the game. The claim language includes “adjusting the game” where intending to encompass adjusting. *See* ’818 pat. at claim 19 (including a limitation requiring “adjusting the video game based upon the user age”). The claims also distinguish between “authorizing” game execution based on user age and “adjusting” the game. *See* ’818 pat. at claims 26 and 30 (including limitations requiring “either *allowing participation in* the game based at least in part on the age of the player, or *adjusting* the game based at least in part on the age of the player” (emphases added)).

The specification similarly distinguishes between authorizing and adjusting game play. The specification describes a controller that ensures “amusement games designed for a specific age group [are] not operated by an inappropriate user” such that a “video game can be prohibited based on the user age.” ’818 pat. at 3:42–46. But it separately explains that “educational video ‘games’ can be adjusted to the age of the user.” *Id.* at 3:47–48. The intrinsic record thus supports our conclusion that the “authorize

play based on age” limitations do not include adjustment and therefore are properly construed as requiring “a control that prohibits operation of a video game based on the user’s age.”

Although the Board incorrectly construed the “authorize play based on age” limitations, its findings regarding Kelly were limited to Kelly’s disclosure of “prohibiting” game play based on age. Board Opinion at *15. The incorrect claim construction is therefore harmless error if substantial evidence supports its finding. *In re Watts*, 354 F.3d 1362, 1369 (Fed. Cir. 2004) (noting “the harmless error rule applies to appeals from the Board”).

The Board found Kelly discloses that “meeting a predefined prerequisite is used in ‘some embodiments’ to prohibit operation of a game for failure to meet the established prerequisite” and further found it “discloses using the age of the game player as a prerequisite to playing a particular game.” *Id.* at *15–16. The Board thus found Kelly discloses “a control that prohibits operation of a video game based on the user’s age.” This finding is supported by substantial evidence.

Kelly discloses that in some embodiments of its system, “players can . . . be required to meet certain conditions before participating in a credit game or tournament.” J.A. 3454 at 22:42–44. Thus, as the Board recognized, players that do not meet the conditions may be prohibited from playing in the only two game modes described by Kelly—a credit game or tournament. *See* Board Opinion at *16. Kelly discloses that one such “predefined characteristic” is age. J.A. 3454 at 42:63–43:5. Though the disclosures in Kelly are in separate portions of the specification, they nonetheless support the Board’s finding that a person of ordinary skill in the art would understand that Kelly discloses prohibiting credit game and tournament play based on age.

CONCLUSION

The proper construction of the “authorize play based on age” limitations is “a control that prohibits operation of a video game based on the user’s age.” Because substantial evidence supports the Board’s finding that Kelly teaches these limitations even under the proper construction, we affirm.

AFFIRMED

COSTS

No costs.

CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Federal Circuit Rule 32(a) or Federal Circuit Rule 28.1:

This brief contains 3,852 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(f).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) or Federal Circuit Rule 28.1 and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6):

This brief has been prepared in a proportionally spaced typeface using Microsoft Word 2016 in 14-point Times New Roman.

Date: February 18, 2020

/s/ Robert Shaffer

Robert F. Shaffer
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, LLP
901 New York Avenue, NW
Washington, DC 20001-4413
(202) 408-4000